

“Security Dynamics in Northeast Asia and Implications for the United States”

**Testimony before the U.S.-China Economic & Security Review Commission
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Summary

China’s economic and military rise in Northeast Asia is prompting adjustments by Japan and the Republic of Korea (ROK or South Korea) that will impact U.S. relations with its allies.¹ On the one hand, allies are seeking closer ties and reassurance from Washington of its continued defense commitments, while on the other they are hedging against U.S. retrenchment by bolstering national capabilities and pursuing new diplomatic initiatives in the region. The U.S. response to this challenge should include concrete steps to support reassurance and deter Chinese coercion, combined with active diplomacy and networking in the region to foster a more collective approach to rulemaking and enforcement as Asia grows. This can ultimately help spread the burden for maintaining peace and territorial integrity beyond the traditional hub-and-spoke U.S. alliance system, although for the time being these alliances are the primary means to preserve stability and prosperity in East Asia.

Japan’s and South Korea’s Key Strategic Interests and Perceived Pressure from China

Japan

It has been clear for some time that the regional security equation in Asia is tilting against Japan, and a variety of defense and foreign policy decisions by Tokyo in recent years reflect the government’s attempt to grapple with this slide into a “security deficit.”² For Japan, the perception of vulnerability and growing threat (particularly vis-à-vis China but including North Korea) is multifaceted and includes security, economic, and diplomatic concerns. It is not an immediate crisis, but for a country that prioritizes stability, openness and access in the region, current trends do not bode well for the future.³

¹ This testimony focuses primarily on Japan and secondarily on South Korea, in order to consider efficiently the most important implications for the United States. Taiwan and Russia are certainly consequential when evaluating the security dynamics in Northeast Asia and should not be forgotten, but the major near-term challenges for U.S. policy makers involve Japan and the Korean Peninsula (including North Korea).

² See James L. Schoff, “Realigning Priorities: The U.S.-Japan Alliance & the Future of Extended Deterrence,” Institute for Foreign Policy Analysis, March 2009, pp. 7-19 at <http://www.ifpa.org/pdf/RealignPriorities.pdf>. See also James L. Schoff, “Transformation of the U.S.-Japan Alliance,” *Fletcher Forum of World Affairs* 31, no.1 (Winter) 2007 or Michael Mochizuki, “Japan’s Shifting Strategy toward the Rise of China,” *Journal of Strategic Studies* 30, no. 4-5 (August-October): 739-76.

³ “Access” in this case, describes the ability of Japan and its U.S. ally to be able to take steps to maintain stability and openness, as they deem it necessary to protect national interests.

Japan is a highly industrialized global trading power with relatively few indigenous natural resources, but a highly skilled workforce and a strong technology knowledge base. Open and stable global trade is critical for Japan, as it relies on imports for about 92 percent of its primary energy supply and 64 percent of its calorie intake.⁴ National wealth is generated by adding value in the manufacturing and service sectors and thereby earning more through exports than is paid for imports, and investing the surplus domestically and overseas for productivity gains, investment return, manufacturing diversification, and risk mitigation. This strategy – which has worked so well for decades – is faltering recently, however, as a weakening Yen and rising fossil fuel imports (to compensate for the shutdown of its nuclear energy industry) have pushed Japan into trade deficits.⁵

Japan is the world's third largest oil importing country (after the United States), the third largest oil consumer, and the fourth largest electricity consumer. While Japan's population has increased by about 50 percent since 1950, its consumption of energy has soared by nearly 300 percent, underscoring the vital role that energy plays in Japan's modern economy.⁶

Japan has a strong position in terms of foreign currency reserves (over \$1.2 trillion), but due to persistent fiscal deficits the country's public debt is now 224 percent of GDP, and debt service consumes almost a quarter of the annual general account budget.⁷ The Japanese government faces significant fiscal constraints.

Because the bulk of Japan's trade is conducted by ship, freedom of navigation is critical for Japan to sustain itself. Although Japan is a small country in terms of land area (ranked sixty-first globally), its recognized territorial waters and exclusive economic zone (EEZ) are the sixth largest in the world at nearly 4.5 million square kilometers, so it has a lot of area to both exploit and patrol.⁸ Maritime chokepoints outside of the EEZ, such as the Strait of Malacca and the Strait of Hormuz, are also strategically important to Japan, since any major disruptions there would quickly force time-consuming and expensive re-routing of vital shipments.

Although North Korea remains a significant and unpredictable security concern for Japan, it is China's growing military capabilities and willingness to brandish them to press claims and expand its influence in the East China Sea and beyond that are prompting a Japanese reaction.⁹ The situation is most acute around the Japanese-administered Senkaku Islands, which Beijing insists belong to China, but it extends to disputed EEZ demarcations in the East China Sea and claims to associated seabed resources. Japan's sense of vulnerability is exacerbated by elements

⁴ Japan's Agency for Natural Resources and Energy and Ministry of Agriculture, Forestry and Fisheries for 2012.

⁵ Japan's annual trade surplus was over \$90 billion as recently as 2007, but it shifted to deficit in 2011 and reached a record \$112 billion in 2013. See OECD statistical profile and Elain Kurtenbach, "Japan Posts Record \$112bn Trade Deficit in 2013," Associated Press, January 27, 2014.

⁶ Japan's Agency for Natural Resources and Energy, "White Paper on Energy 2007" [in Japanese].

<http://www.enecho.meti.go.jp/topics/hakusho/2007/index.htm> (accessed June 17, 2008).

⁷ Ministry of Finance.

⁸ "Oceans white paper: Japanese and world developments" [in Japanese]. Oceans Policy Research Institute, Ship and Ocean Foundation, 2005.

⁹ China's military investments have grown exponentially in the last two decades – with average 10-plus percent annual growth in the last ten years – to the point where it spends more on defense than Japan, the ROK, Taiwan, and Vietnam combined. It is enhancing not only its ability to deny allied access into its near seas and airspace, but also expanding its power projection capabilities.

of economic dependence (e.g., extensive direct investments in China and dependence on certain imports such as rare earth metals and food products) and even exposure to drifting air pollution from China.

Republic of Korea

Global trade is similarly important to South Korea, in part because it imports about 82 percent of its primary energy supply, but also benefiting from consistent current account surpluses in recent years.¹⁰ A rising portion of ROK merchandise trade – and its surpluses – is with China, which became South Korea’s largest destination for foreign direct investment (FDI) and trading partner in 2002 and 2003, respectively. Like Tokyo, Seoul seeks regional/global stability and openness to support its economy and rising wealth, which has grown fantastically since 1980 (with gross national income per capita up by a factor of ten in 2000 and then doubling again by 2012 to over \$22,000).¹¹

Seoul has increased its defense budget accordingly since 2000, more than doubling to about \$32 billion in 2013.¹² The country has steered some of that spending toward military capabilities that would help it protect far flung investments, but the predominant concern is North Korea’s military threat and unpredictable nature. This dynamic focuses ROK attention closer to home, and it gives added weight to Seoul’s relations with Beijing, due to China’s economic – and to some extent political – influence in the North.

The military threat from North Korea overshadows most concerns that South Korea might have about China’s soaring defense spending, but China’s intervention in the Korean War (1950-1953) is remembered in the South, and Seoul is wary about becoming vulnerable to Chinese intimidation in the future. In this sense, South Korea does not feel the same kind of deepening vulnerability or imminent danger that many Japanese leaders feel, even as there exists an underlying recognition of China’s historical willingness to exert its influence in Korea for national gain.

The modern day example could be any sort of North Korean instability or collapse scenario that tempts Chinese interference, including territorial encroachment, which the ROK would strongly resist. Seoul is also looking forward with some trepidation to a post-unification situation when it will share a border with China (and China’s influence in the North is already strong), so there are factors that make China both attractive and repelling. Currently, these tensions reveal themselves in skirmishes between the ROK Coast Guard and intruding Chinese fishing boats or China’s unilateral declaration of an air defense identification zone (ADIZ) that overlaps with certain ROK claims in the East China Sea.

For both Japan and South Korea, public and government support for their alliances with the United States remains strong, and they recognize the alignment of our national interests with the agenda of stability, openness, and access. But U.S. fiscal restraints and political dysfunction,

¹⁰ South Korea ran a \$43.3 billion surplus in 2012 or almost 4 percent of gross domestic product (GDP). The World Bank, <http://data.worldbank.org/indicator/EG.IMP.CON.S.ZS/countries/IW-KR?display=graph> and <http://data.worldbank.org/indicator/BN.CAB.XOKA.CD>

¹¹ The World Bank, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?page=6>

¹² (2014) Chapter Two: Comparative defense statistics, *The Military Balance*, 114:1, 23-30, Taylor & Francis.

combined with China's rise, raises doubts in Tokyo and Seoul about the long-term sustainability of American primacy in Asia, and they are taking different steps to hedge against relative U.S. decline. The challenge for U.S. policy makers is to find feasible ways to reassure the allies without simply subsidizing their security at an unsustainable financial and political cost to America, essentially to live up to the policy promise of the so-called rebalance to Asia in a consistent and practical manner.

Responses to China's Rise in Northeast Asia

By some measures, the policy and military responses to China's rise by Tokyo and Seoul remain modest, suggesting sufficient confidence – for the moment – in national strength and the value and reliability of their alliance relationship with the United States. After all, China has been a significant source of growth for both countries, and a stable and prosperous China has been good for Asia overall. Despite consistent year-on-year Chinese military budget growth of 10-plus percent, for example, Japan's defense spending has been flat since 2000 and South Korea's increase has averaged less than 4 percent per year (and that has been driven more by North Korea than by China).¹³ Japanese and Korean direct investment in China during this time continued to grow significantly, perhaps belying any concern about increasing economic vulnerability.

Japan Defense Posture

In Japan's case, part of its apparent complacency on the military front can be attributed to the strong bilateral alliance and its own modern armed forces. Although purely defense oriented and relatively small given Japan's wealth, the country's Self-Defense Forces (SDF) boast the world's seventh largest defense budget in the world including such high-end capabilities as mid-air refueling, airborne warning and control (AWACs), Joint Direct Attack Munitions (JDAMs), Hyuga-class (helicopter) destroyers and Atago-class Aegis (missile defense) destroyers, and will soon field 5th generation fighter aircraft in the form of the F-35.

What Japan lacks, however, is a legal and political framework that would allow the flexible application of these forces to support a wide range of national security objectives, either alone or in concert with the United States. The SDF was built primarily to operate domestically in response to potential attacks on the homeland. Typical of the parochial nature of Japan's forces, it possesses one of the world's largest inventories of CH-47 transport helicopters but no way to deploy them quickly overseas. Its new XC-2 military transport aircraft was designed to be large enough to carry Patriot missile defense batteries for national defense, but not the large helicopters that could be useful in an international crisis. U.S. officials would like to see Japan expand the range of security cooperation activities it can conduct with its ally and with other partners.

¹³ Japan's defense budget in 2000 was about ¥49 trillion, which is precisely where it stood in 2013, and defense spending represents consistently less than 1 percent of Japan's GDP. From Ministry of Defense, "Our Country's Defense and Budget (from 2000 to 2013)," [in Japanese] available at <http://www.mod.go.jp/j/library/archives/yosan/yosan.html> ROK figures from David Kang, "Paper Tiger: Why isn't the rest of Asia afraid of China?" *Foreign Policy*, April 25, 2013.

Ever since Japan's purely financial contributions to the Gulf War in 1991 were derided as mere "checkbook diplomacy," successive administrations have expanded modestly the range of SDF missions that Japan can conduct overseas, both legally and operationally. These changes came about slowly – at times through temporary authorization that eventually expired – and they were usually of a non-military nature, such as providing logistical or engineering support to a United Nations operation or multilateral security initiative. The purpose was to contribute more directly to international peace and security, but it was also a way to sustain the alliance by satisfying U.S. requests for more burden sharing in this field, and some saw benefit in the SDF gaining overseas deployment experience. In this sense, Japan has been hedging modestly for several years, maintaining a modern military and broadening its reach.

In contrast to this incremental approach, current Prime Minister Shinzo Abe is pursuing a more substantive overhaul of the nation's security laws, driven more directly and urgently by the rise of China, as well as North Korea's nuclear and missile development. In 2013, he has already passed a law to strengthen the national protection of classified information, established a new National Security Council to enhance crisis management and oversee the country's first National Security Strategy, and his administration has revised the National Defense Program Guidelines (NDPG) and Midterm Defense Plan (MTDP), which governs Japan's future defense procurement. In this area, Japan will boost the defense budget slightly (about 1-2 percent per year) and extend the life of existing submarines and destroyers as a way to expand its military power affordably.

At the operational level, Tokyo's focus is on:

- strengthening intelligence gathering, maritime domain awareness in the East China Sea, and information security (e.g., with plans to buy unmanned aerial vehicles (UAVs), enhancing the use of space with new X-band communications and reconnaissance satellites, and bolstering cyber security capabilities);
- strengthening outer island defense and rapid deployment capability (by acquiring amphibious vehicles, conducting joint training with U.S. Marines, and planning to buy Osprey tilt-rotor aircraft);
- improved defense against nuclear/missile attack (with continued investments in missile defense and possibly developing a retaliatory strike capability, either via aircraft or cruise missiles);¹⁴ and
- expanding weapons export and defense industry development opportunities by loosening legal restrictions and allowing a wider range of companies to get involved in the global supply chain for defense or dual-use articles.

Connected to this is the Abe administration's push to "normalize" the country's defense posture in the near term by allowing Japan to exercise collective self-defense in certain situations, and longer term by revising the military's legal status with a new Fundamental Law on National Security. Abe has also promoted the goal of revising the nation's Constitution, which could expand further Japan's ability to utilize its military in a flexible manner.

¹⁴ The possible development of a strike capability is being studied in Japan, and no decisions have been made. For a country with a restrictive "no war" constitution and a defense-only military, the move would be politically sensitive, even if only technically available for defensive purposes. All of Japan's neighbors already possess such capability.

The key issue for Japan (and what is most noticeable about the new NDPG) is that it is thinking beyond deterrence as the only role for the military and understanding that it might actually become necessary to use force for self-defense (either around the Senkaku Islands or vis-à-vis North Korea). Previously, Tokyo tended to believe that the mere existence (and later, presence) of Japan's SDF – combined with the U.S. alliance – was enough to satisfy its deterrence needs. It now realizes that lower thresholds of conflict might only be deterred if it shows willingness and ability to fight, and the object of this deterrence is China in the East China Sea. Moreover, Japan needs to be able to project force in a flexible manner to adapt to unpredictable situations in case deterrence fails, as well as to give Japan's leaders different options for controlling escalation.

Of course, Japan is not just looking to increase its own military capability as a means to thwart Chinese intimidation and so-called gray zone conflict (i.e., a state of neither peace nor war, such as skirmishes between Coast Guard vessels). Boosting the military is also seen as responding to U.S. requests for more proactive Japanese contributions to regional security, and strengthening the Japan's alliance with the United States is another way for Tokyo to bolster deterrence by signaling to Beijing that conflict with Japan ensures U.S. involvement. This is the backdrop for the bilateral initiative to revise Guidelines for US-Japan Defense Cooperation.

Before examining the opportunity for the alliance in this defense guideline revision process, it is worth highlighting recent U.S. concern that the process could be complicated by a possible agenda that Prime Minister Abe and his circle have for historical revisionism, which has soured Japan's relations with the ROK and China. One Abe visit to the controversial Yasukuni Shrine can probably be managed (he visited in December 2013), but a larger problem would be a sustained high-level campaign to rationalize or even dismiss some uncomfortable aspects of Japan's history in the first half of the 20th Century. This would make it harder for the United States and Japan to strengthen their alliance, because Americans simply do not share in the belief of such a revisionist agenda. The damage to Japan-ROK ties (and thus potential U.S.-Japan-ROK trilateral cooperation vis-à-vis North Korea) is particularly acute. The Abe cabinet's ultimate position on some of these history issues remains to be determined, but it is a potential point of friction in the alliance and could frustrate what would otherwise be a more united alliance response to China's rise in Northeast Asia.

On the diplomatic side, in addition to Japan's push to strengthen alliance relations with the United States, the Abe Cabinet is also making a concerted effort to improve ties with Russia (to diversify energy supplies, compensate for poor relations with the ROK and China, and to settle a long-standing territorial dispute). Japan is also spending a lot of diplomatic energy in strengthening relations with many Southeast Asian nations, both to create economic opportunity but also to bolster Japan's political influence along China's periphery and help shape the emergence of Asia in favorable terms. Prime Minister Abe was the first ever to visit all ten ASEAN countries within his first year of office.

Opportunities in U.S.-Japan Defense Guideline Revision

Washington hopes that Japan will expand its interpretation to exercise collective self-defense (and sees this as separate from the history issue), since collective self-defense might apply to UN-approved international security cooperation activities and to a situation involving North

Korea. This would allow for more integrated alliance defense cooperation, particularly in the areas of intelligence, surveillance, and reconnaissance (including space and cyber domains), logistical support, and maritime force protection.¹⁵ These are some of the issues currently being discussed by the allies as they work to revise their Guidelines for Bilateral Defense Cooperation throughout 2014, and is only the third time in over fifty years that they have taken on this task. The purpose of this stepped-up security cooperation would be two-fold:

- To complement the U.S. rebalance to Asia as a response to a more demanding regional security environment (primarily to deter North Korean aggression but also to balance against Chinese maritime expansion); and
- To combine with other allies and like-minded partners (e.g., Australia, South Korea, and some Southeast Asian countries) to build habits of regional security cooperation and a regional security architecture that can eventually involve China and help dampen security competition in East Asia.

For most of 2013, the United States and Japan reviewed their defense guidelines in light of North Korea's nuclear and missile advances, China's growing military capabilities, and the introduction of new domains—cyberspace and outer space—to the potential battlefield. By October the two countries agreed that a new round of revision was warranted, and the “2+2” joint statement issued by the U.S. secretaries of defense and state and the Japanese ministers of foreign affairs and defense instructed alliance managers to recommend changes to accomplish several objectives beyond the core mission of responding to a possible armed attack against Japan.¹⁶ The aims include:

- 1) expanding the scope of bilateral cooperation,
- 2) promoting security cooperation with other regional partners,
- 3) enhancing bilateral consultation and coordination mechanisms,
- 4) describing the appropriate role sharing within bilateral defense cooperation,
- 5) and evaluating bilateral defense cooperation in emerging strategic domains.

Any given security cooperation mission involves an overlapping cycle of activity that runs continuously through information gathering, assessment and analysis, decision making, planning, mobilization, execution, and back to information gathering, assessment, and so on. The goal of this revision effort should be to help Japan become a more meaningful and reliable partner in many of these activities, bilaterally with the United States as well as in broader coalitions. Exploring these opportunities concretely and then taking the steps necessary to operationalize the most promising should be the primary objective of the defense guideline revision process. This will be ambitious and complex—given the need to bring together subject-matter experts from each country who have rarely worked together before—but this is the task assigned by the 2+2.

¹⁵ For more on how the United States and Japan could use the Defense Guideline revision process to develop a more integrated “front office/back office” alliance posture, see James L. Schoff, “How to Upgrade U.S.-Japan Defense Cooperation,” Carnegie Endowment for International Peace Policy Outlook, January 16, 2014 available at <http://carnegieendowment.org/2014/01/16/how-to-upgrade-u.s.-japan-defense-cooperation/gvkq>

¹⁶ “Joint Statement of the Security Consultative Committee toward a More Robust Alliance and Greater Shared Responsibilities,” October 3, 2013. Available at <http://www.defense.gov/pubs/U.S.-Japan-Joint-Statement-of-the-Security-Consultative-Committee.pdf>

Developing an overarching concept to guide this new era of alliance cooperation will help the allies navigate the complex revision process. A conceptual framework similar to the spear/shield and forward area/rear area mantras of the past is necessary to describe—for both internal and external audiences—the purpose, value, and limits of alliance cooperation. It should serve as a bridge between the two nations’ defense planning documents, and it will shape how each military perceives its role and manages the procurement and training associated with their cooperation. Without a clear concept, alliance ties can weaken, defense planning can lose focus, and neighbors are more likely to misinterpret alliance intentions.

Designing this framework begins with the underlying goal of the 2+2 joint statement that the United States and Japan should “be full partners in a more balanced and effective Alliance” in which they “can jointly and ably rise to meet the regional and global challenges of the 21st century.” Connectivity and interoperability are key enablers for any such “jointness,” and they are also highlighted in Japan’s new National Security Strategy and NDPG released in December 2013. The challenge is both to improve alliance capabilities and encourage broader security cooperation with other nations to enhance regional stability, while discouraging military rivalry.

To accomplish this, the alliance should pursue a capabilities-based (or functional) approach to cooperation that can apply to different situations. Similar to the way a retail store leverages all aspects of the company to maximize productivity at the point of sale, Japan’s “back office” support functions could be better integrated with U.S. “front office” military activities. A functional approach can enhance alliance flexibility and better integrate alliance cooperation than the current approach without carving out new—potentially politically sensitive—overseas missions for Japan’s SDF. This approach can be applied to the core alliance mission (responding to armed attack against Japan), as well as to wider regional/global security cooperation scenarios in both bilateral and multilateral contexts.

The new approach stands in contrast to the location- and mission-oriented nature of past and current guidelines. The current defense guidelines from the 1990s make a distinction between forward-area and rear-area activities, and they identify specific missions that Japan’s SDF can carry out on its own. This means that Washington and Tokyo do not fully leverage alliance potential because an “I’ll do this here, while you do that there” dynamic leads to inefficiencies when resources are not shared. Japanese ISR to support its own minesweeping or search and rescue, for example, could be applied technically to U.S. forward operations (and vice versa), but the current guidelines constrain this potential synergy.

Adopting a front office/back office approach would increase alliance productivity. Even if Japan spends most of its time in the rear area, lessons are learned as a team and this helps the allies make quicker adjustments for improvement in the heat of battle.

The alliance would also benefit from a more collaborative structure. In the corporate hierarchy, back-office leaders are on the same level as other executives, and they are closely involved in strategic planning for any new initiative. They are considered integral to business operations, and this collaboration maximizes efficiency and productivity.

A front office/back office construct is one way to upgrade bilateral defense cooperation in a meaningful but more politically acceptable way—not only within Japan, but also for other

nations in the region, particularly the ROK. Domestically speaking, forward deployment of Japan's SDF into hostile areas will be almost impossible in most bilateral or multilateral coalition operations due to political resistance and lingering legal restraints, despite Prime Minister Abe's defense reform efforts. Most Japanese cherish their "peace constitution" and rarely support SDF dispatch to areas of potential conflict. The physical concept of "rear area" will be hard to break among the Japanese public, which has only recently become comfortable with overseas deployments to noncombat zones. The front office/back office concept is an incremental evolution of alliance cooperation in this regard, since Japan for the most part would connect to forward operations by technical means without a physical forward presence.

A limit on Japanese forward presence, which this concept would provide, should receive a positive response in the region. The ROK has been wary of Japan's defense reform agenda, in part for fear that it could lead to deployment of Japanese forces onto the Korean Peninsula in a North Korean contingency, however remote a possibility. In this sense, a front office/back office approach can help reassure Seoul that it can gain the operational benefit of more effective U.S.-Japan support without the political problems associated with Japanese "boots" on Korean ground. In addition, closer U.S.-Japan coordination will be more reassuring to neighbors compared to the alternative, which could be a Japan that develops greater military independence from the United States.

Moreover, a functional approach to guideline revision would focus less on specific threats and the location of alliance cooperation, which would help counter the assumption that defense guideline revision is simply a reaction to China's military rise. China's muscle flexing is a factor, of course, but defense guideline revision has just as much to do with the technological evolution of warfare, North Korea's development of nuclear armed missiles, and the need to extract more productivity from tight alliance defense budgets. Putting the focus on capabilities and not threats would be consistent with U.S. statements that the alliance is designed to deal with more than just China contingencies, though deep Chinese suspicion of the alliance means that Washington and Tokyo should seek to reassure Beijing of their peaceful intent even as they maintain a posture of deterrence in the East China Sea.

The functional approach can also be an opportunity to strengthen regional security cooperation by enhancing the capacity of regional coalitions to address common security challenges. The United States and NATO, for example, essentially utilize a front office/back office concept, with different countries taking the lead depending on the situation. The United States led in Afghanistan, while European nations led the enforcement of UN Security Council Resolution 1973 to impose a no-fly zone against Libya in 2011. Many East Asian nations are also doing this in the Gulf of Aden through coordinated counterpiracy operations, for example, and this framework could be extended in Asia to counter illicit weapons proliferation, respond to large-scale natural disasters, or deploy more capable peacekeeping and peace-building teams.

Republic of Korea

There is simply less to describe about South Korea in the context of tangible reactions to China's economic and military rise. ROK defense investments in recent years have been driven more by developments involving North Korea rather than China, particularly after North Korean attacks in 2010 led to the buttressing of Northwest Island defenses and other counter-battery systems. Much of this has been considered in close consultation with the United States, and the allies

approved in 2013 a new coordinated plan to respond to future North Korean provocations (enhancing deterrence) and added new bilateral working groups in the areas of cyber and space security policy.¹⁷

The Roh Moo-Hyun administration around 2005 promoted a defense procurement policy to grow the Navy and Air Force and allow them to be more expeditionary, with the idea that the North Korean threat would diminish as North-South relations improved and the ROK's regional and global interests would expand. Renewed North Korean belligerence and its nuclear tests, however, soon led to a paring back of that defense plan, and the result is a sort of hybrid procurement strategy that tries to serve both of Korea's security needs (i.e., on-Peninsula first and foremost, but also a broader regional and even global reach over the longer term).

As such, in addition to investing in battle readiness at home (including a variety of command and control systems and related infrastructure to prepare for the transfer of wartime operational control (OPCON) to South Korea from the United States by 2015), the ROK military has acquired Aegis capable destroyers, an ever larger submarine force, and AWACs aircraft – among other modernization initiatives – that will help Seoul hedge against Chinese regional military dominance in the future. Indeed, although the ROK push to extend the range of its indigenous ballistic missiles from 300km to 800km in 2012 was explained as a way to counter North Korean missile capabilities, it can also be seen as a long-term investment in a capability that might be needed post-unification, when Korea will be hemmed in by two large nuclear and missile powers in Russia and China. Recent ROK investments in missile defense and UAVs will have a similar “dual use” (i.e., for North Korea now, and for wider national defense later).

Coupled with this hedging on the military side, a different form of diplomatic hedging by Seoul includes pursuing better ties with China itself, since the cool relations that pervaded the Lee Myung-bak administration (2008-2012) – as Beijing often rose to protect Pyongyang despite its aggressiveness – was seen as strategically undesirable. Although some in Japan and the United States worry that this diplomatic outreach risks driving a wedge between the U.S.-ROK alliance and between South Korea and Japan, better ROK-China relations can have many positive effects (e.g., to promote regional stability and facilitate cooperation in case of turmoil involving North Korea). Better ROK-China ties is not necessarily a zero-sum dynamic, and Washington, Tokyo and Seoul should make efforts to ensure it does not move in this direction.

The danger, of course, is that many key factors are moving in negative directions. As Japan-ROK ties worsen, for example, suspicion grows in both countries that steps taken to mitigate the China risk (particularly in the military realm) might also be turned against one another. This exacerbates the security dilemma prompted by China's defense spending growth, and it is hardening public attitudes in all three countries. Sensitive history issues have become highly politicized in the region when precisely the opposite dynamic (i.e., shifting the historical debates to the academic rather than political arena) is preferred. All of this complicates U.S. plans for the rebalance to Asia and risks drawing Washington into a cultural/historical struggle going back centuries, which can only end with strained U.S. relations with one ally or the other.

¹⁷ See “Joint Communique: The 45th ROK-U.S. Security Consultative Meeting,” Department of Defense, October 2, 2013 at <http://www.defense.gov/pubs/Joint%20Communique.%2045th%20ROK-U.S.%20Security%20Consultative%20Meeting.pdf>

Policy Recommendations

Japan

- In order to address an underlying source of tension in the region, push back diplomatically against expansive Chinese maritime claims in the South China Sea and East China Sea by insisting that China clarify the legal basis for its so-called nine-dashed line demarcation and pursue more actively a regional coalition in support of this position. The State Department has begun recently to press this point more directly, and now the task is to cultivate broader regional reinforcement.
- Support Japan's reinterpretation of exercising collective self-defense rights, particularly with regard to a North Korea scenario and UN peace keeping operations as a means to support deeper alliance integration of security cooperation. China (and possibly South Korea) will complain that such a move would be a sign of dangerous Japanese militarism, but it is simply assuming the same rights as any other nation and responding to a degrading security environment.
- Similarly, be supportive of other steps Japan might take to normalize its military with broader rules of engagement and possibly include development of a retaliatory strike capability, so that Japan is better able to protect its own territory without heavy U.S. involvement. Of course, security treaty commitments mean that the United States could be drawn into any China-Japan conflict in the East China Sea, so adequate bilateral consultation, planning, and defense coordination is required. In this sense, something akin to the U.S.-ROK counter-provocation plan might be a useful way to make sure that operational and political/diplomatic issues are fully considered as an alliance. This might be discussed as part of the Defense Guideline revision process.
- Overall, be inclined to support the sale of U.S. defense equipment such as UAVs and other systems, as well as the deepening of bilateral defense industrial cooperation. Incorporating Japanese commercial technology (such as fuel cells and advanced materials) has the potential to improve the quality and cost-effectiveness of certain U.S. weapon systems.
- There might be times when some criticism of Japanese historical revisionism is called for, but overall resist the urge to weigh in publicly on issues that do not directly involve the United States. Also, be clear that those historical disagreements are separate from Japan's attempt to bolster national defense in the modern day.
- Consider expanding opportunities to export U.S. natural gas as a way to support U.S. industry and help Japan diversify its supply sources.
- Follow-through on the relocation of U.S. Marines from Okinawa to Guam as a way to strengthen the political sustainability of U.S. military presence in Japan and to support the Pentagon's policy of geographic distribution in the region. The move to Guam will reduce modestly the burden of hosting Marines on Okinawa, and it will add momentum to the Futenma Marine Base relocation project and overall U.S. realignment in Japan. In a variety of ways, therefore, it will enhance the alliance posture vis-à-vis China.
- Sustain sufficient U.S. defense spending to reassure allies and engender support for a U.S. initiative to network alliances and partnerships in the region to strengthen the regional

security architecture (inclusive of China). Support for negotiation of the high-standard Trans-Pacific Partnership (TPP) trade deal is an important component of this effort. This is part of living up to the policy promise of the Rebalance to Asia.

Republic of Korea

- Although China is often reluctant, seek joint U.S.-ROK dialogue with Beijing regarding future scenarios involving North Korea (everything from collapse to violent lashing out against the alliance or Japan). The main ROK concern about China involves its approach to various North Korea contingencies, and better communication and more predictability is needed on this front. Such discussions might be able to alleviate Chinese fears about the future posture of the U.S.-ROK alliance post-unification, and if so it could soften Beijing's support for North Korea.
- Support the transfer of wartime OPCON from the United States to ROK, even if it takes a little longer than 2015 to realize (to accommodate the need for further ROK preparations). This is a way to show North Korea that its primary counterpart for discussions about the future of the Peninsula is South Korea (not the United States), and it is time for South Korea to assume this responsibility.
- Continue to encourage ROK participation in regional security cooperation activities (such as the counter-piracy mission in the Gulf of Aden and the Proliferation Security Initiative), as this can help operationalize the regional security architecture and build stronger ROK-Japan, ROK-Australia, and other mil-to-mil relationships that might help shape/moderate Chinese behavior.
- Despite ROK-Japan tensions over history, encourage Seoul to keep up trilateral security cooperation, given the vital role that Japan plays in South Korea's security (via its hosting of U.S. bases and promised rear area support in various North Korean contingencies).